

Exhibit 2

Boston Globe Steward Article Dated 1-19-2024

Steward Health Care's financial issues could spell catastrophe for the state


By [Jessica Bartlett](#) Globe Staff, Updated January 19, 2024, 6:00 a.m.

Steward Health Care, a for-profit health system that serves thousands of patients in Eastern Massachusetts, is in such grave financial distress that it may be unable to continue operating some facilities, according to public records and people with knowledge of the situation. The fast-moving crisis has left regulators racing to prevent the massive layoffs and erosion of care that could come if hospital services were to suddenly cease.


Steward runs nine Massachusetts hospitals, mostly in Boston suburbs and underserved cities from the Merrimack Valley to the South Coast. But the national operator has shown escalating financial difficulties for at least the past three years, according to public records. This month, Steward's landlord revealed in a news release that the health system hadn't been paying its full rent for months and would contemplate selling off hospitals nationally.

In a statement, Steward blamed its challenges in part on the relatively low rates it receives for services to Medicaid patients. And even for patients with more lucrative commercial insurance, Steward said, its hospitals still are paid less than what academic medical centers get.

"This gap has only continued to increase and most community hospitals — including Steward hospitals in Massachusetts — are suffering losses that jeopardize their ability to continue to offer services," Steward said in a statement.



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Steward did not answer specific questions about its plans by press time, saying it needed more time to gather information. According to a person with direct knowledge of the situation, Steward has told state regulators that it has until the end of the month to make a plan that will satisfy its lenders.

In ongoing conversations with the state, Steward has requested state money, voiced a desire to transfer ownership of some hospitals, and at times said it may have to close some facilities, according to the person, who asked not to be named due to the sensitive nature of ongoing conversations. In December, Steward publicly announced it will close its rehabilitation hospital in Stoughton.

The system has not publicly announced any further closures, as would be required by state regulations, and the contours of the state's response remain unclear. Nonetheless, the specter of more shuttered facilities is raising alarm throughout the health care industry.

While Steward is a wide-ranging organization that includes physicians and specialists, state officials and other health industry executives have been especially concerned about the company's hospitals.

Steward's facilities include Good Samaritan Medical Center in Brockton, St. Elizabeth's Medical Center in Brighton, and Saint Anne's Hospital in Fall River.

Statewide, hospitals are already struggling to accommodate all the patients coming to them for care, and a further reduction in capacity could create dangerously long wait times and overwhelm remaining facilities. In the 12 months ending September 2022, Steward's Massachusetts hospitals reported that they admitted more than 46,000 patients.






Company officials said that 70 percent of Steward's patients are covered by Medicare and Medicaid. Closures could make it harder for this vulnerable population to access care.

Steward has 33 community hospitals across nine states, and employs more than 40,000 people. In Massachusetts, only two companies — Mass General Brigham and Beth Israel Lahey Health — operate more hospitals.

Steward Health Care System hospitals in Massachusetts

The national company counts 33 community hospitals and 30,000 employees across nine states.

Hospital

-  St. Anne's Hospital
-  Holy Family Hospital
-  Morton Hospital
-  St. Elizabeth's Medical Center
-  Carney Hospital



“If a failure of Steward’s Massachusetts hospitals were to occur, the impact for the rest of the health care system in the state could be severe,” said Ellen Lutch Bender, a Boston-based health care consultant who has been advising hospitals here on the ongoing capacity crisis. “Our hospital system is overburdened now and there’s no wiggle room to accommodate for the increased patient demand that would be brought on by shuttering the Steward hospitals.”

Governor Maura Healey’s administration confirmed that it has been in talks with Steward over its financial situation.

“We are exploring all options to ensure that patients across Massachusetts continue to have access to the care they need and that our health care system is stable,” said Karissa Hand, Healey’s press secretary.

Robbie Goldstein, commissioner of the Department of Public Health, said the agency was closely monitoring and working with Steward.

“When health care facilities or services close, we are always concerned about any potential disruption to patients, health care workers, families, and communities,” he said.

For years, the health system has not filed financial disclosures that other hospitals routinely provide to the state. Steward claims the state has no statutory authority to collect confidential business information that it will not keep private. Whether it will ever have to is the subject of ongoing litigation between the state and Steward.

Even without financial disclosures, public records reveal some issues. A Globe review found Steward was the subject of at least 14 Massachusetts lawsuits filed by vendors and employees over unpaid invoices since 2022, according to state court records. The sums involved in those disputes ranged from thousands to tens of millions of dollars.

Internal signs have also hinted at problems. In a memo sent this month and obtained by The Boston Globe, Steward acknowledged “2023 was a tough year.” The company said its financial problems are due to rising interest rates and labor costs, an increasing Medicaid population, and difficulty collecting bills.

While Steward is a private company, public filings from its landlord, Medical Properties Trust, have also raised alarms.



Carney Hospital in Dorchester is one of nine Massachusetts hospitals run by Steward Health Care. JONATHAN WIGGS

Steward [had been paying rent on its properties in Massachusetts after](#) selling and then leasing back the real estate to Medical Properties Trust in 2016. And according to bond rating agencies, Steward is currently MPT's largest tenant, [accounting for 20 percent](#) of the revenues for the real estate investment trust.

On Jan. 4, Medical Properties Trust [said in a press release](#) that Steward had delayed paying a portion of its September and October rent to the company, and had continued to make partial monthly rent payments. By Dec. 31, total unpaid rent under its lease with MPT was approximately \$50 million.

Medical Properties Trust had agreed to provide a bridge loan of \$60 million to Steward. But it said that as part of the plan, Steward was pursuing "the potential sale or re-tenanting of certain hospital operations as well as the divestiture of non-core operations."

Steward is not alone among hospitals facing financial stress over the past few years. In its statement, Steward pointed out that many community hospitals in Massachusetts specifically have struggled.

"While we are pursuing inequities and our aggressive advocacy for fairer reimbursements, Steward is advancing an action plan to strengthen its liquidity, restore its balance sheet and put the tools necessary in place to continue forward as a key provider of healthcare services to our patients, communities, physicians, and employees," the statement said.

Despite its national footprint, Steward's genesis was in Massachusetts. Private equity firm Cerberus Capital Management created the company in 2010, starting with the purchase of several Massachusetts hospitals from Catholic

system Caritas Christi Health Care.

According to the person with direct knowledge of the ongoing conversations, Steward ultimately came to the state to discuss its financial troubles. More recently, Steward has told the state it must have a restructuring plan no later than the end of January, though it was unclear whether the timing was a reflection of Steward's own desires or if the deadline was one imposed by its lenders, the person said.

Representatives from Steward have also told state regulators that they are interested in transferring ownership of hospitals, the person said. However no other operators had approached the state with such a plan, and the state was not yet evaluating any specific transactions, according to the person with knowledge of the talks.

The person said the state officials are waiting for Steward to outline their next steps, while applying pressure on the company to come up with answers that would prevent a public health emergency.

The concern over Steward closures elsewhere has led to significant state action. In 2020, Steward told Pennsylvania officials that its hospital in Easton, Pa., would have to close in a matter of days unless it received state funding. Officials soon provided millions of dollars in financing to keep the hospital open, according to [media reports at the time](#).



A Steward Health Care System hospital in Easton, Pa., in 2020. HANNAH YOON/PHOTOGRAPHER: HANNAH YOON/BLOOMB

Massachusetts regulators have hired an external firm to advise them on the Steward situation, and state officials have voiced a willingness to do what is necessary to protect patients and preserve jobs, the person said. The state could go as

far as to declare a public health emergency, which gives state regulators broad authority to take steps such as transferring patients between hospitals.

Meanwhile, other hospital executives have been talking with state regulators over concerns about the possible effect on their facilities if Steward locations were to close.

John McDonough, who teaches in the department of health policy and management at the Harvard Chan School of Public Health, said many industry observers have been paying attention to the increasingly public signs of distress at Steward.

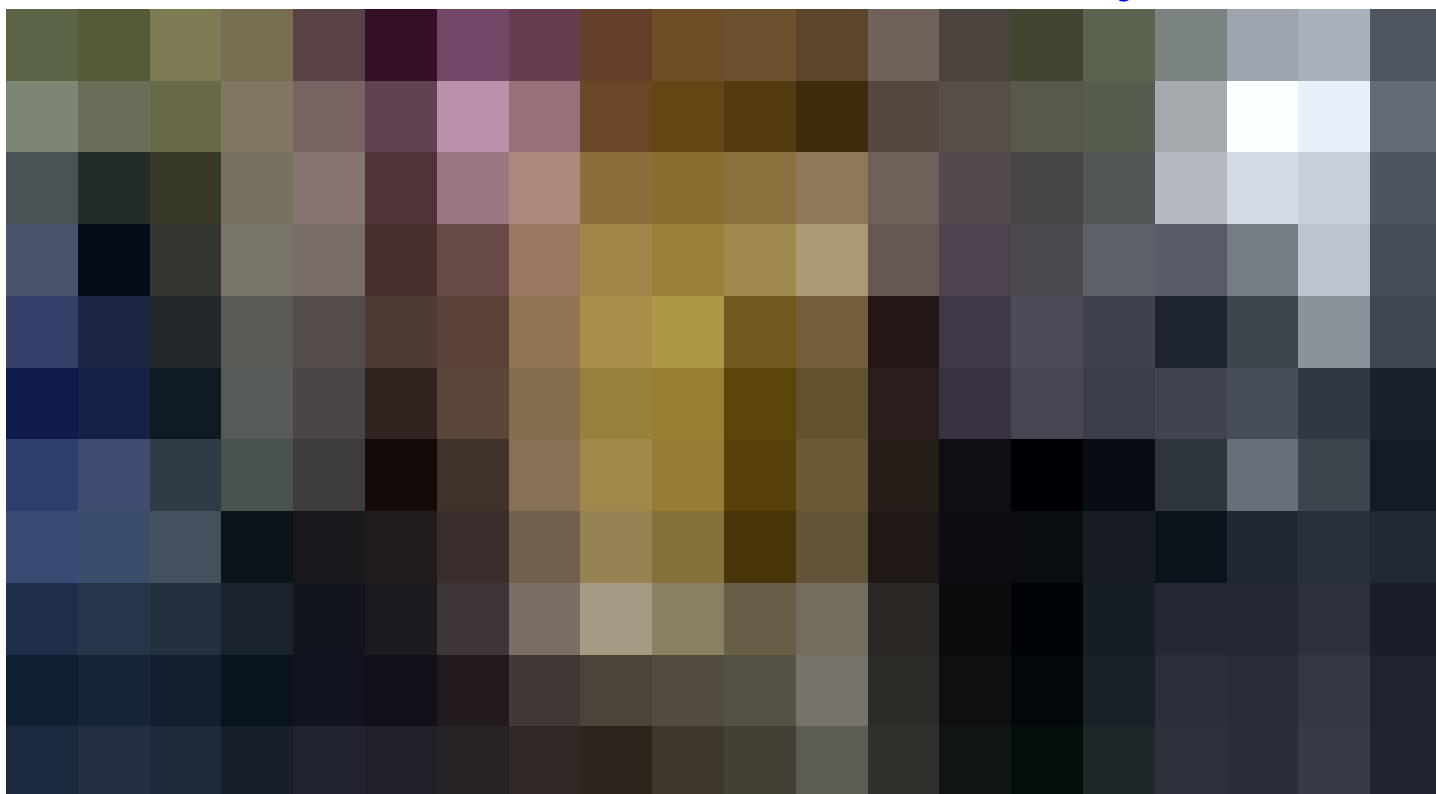
And if other health systems take over for Steward in Massachusetts, some have worried about further consolidation of the hospital market, increasingly dominated by a few players.

“There is concern [about consolidation],” McDonough said “But that concern has to be balanced with the other potential of losing all of these facilities, and the impact that would have.”

In Massachusetts, Steward hospitals are geographically located in multiple areas of the eastern part of the state, from Holy Family Hospital campuses in Haverhill and Methuen, to Carney Hospital in Dorchester.

As state officials work with Steward on what comes next, health care providers in areas near Steward facilities are anxiously waiting for a resolution. Typically, hospitals must give the state 120 days of notice before closure, but they sometimes begin to wind down their operations before that — challenging other health systems to absorb their patients.

Already, hospitals in the southeastern part of the state have had to accommodate the volume when Steward’s Norwood Hospital closed in 2020 due to flooding. The emergency room associated with Steward’s Quincy Medical Center closed in November 2020. [And Brockton Hospital suspended operations in 2023 due to fire](#), closing approximately 200 more inpatient beds.



Water was cleared from the Draper Lobby of Norwood Hospital after flooding on June 28, 2020. PAT GREENHOUSE/GLOBE STAFF

At South Shore Health, an independent health system in Weymouth unaffiliated with Steward, doctors are caring for an average of 500 patients a day, with peaks that reach as high as 560. Those figures are not only far beyond the 374 licensed beds the hospital has, but have escalated from patient volumes seen even this summer.

The torrent of patients coming through the doors has been so unrelenting, that hospital management is disaster planning on a daily basis.

Dr. Allen Smith, CEO of South Shore Health, said his hospital could not accommodate the volume if another hospital nearby were to close.

“This could be extremely worrisome. I’m not trying to get melodramatic,” Smith said. “If this is a sudden closure, it is extremely dangerous.”

South Shore got a preview of what that might look like in October, when Steward’s Good Samaritan Medical Center [closed to ambulance traffic for a day due to a flooding and power issue](#). Dr. Jason Tracy, chief medical officer for South Shore Health, said the hospital’s entire infrastructure mobilized to accommodate about 30 additional ambulances that day, on top of South Shore Health’s average of approximately 130.

Just as South Shore reached the threshold of what it could accommodate, Good Samaritan reopened to ambulance traffic.

While South Shore could accommodate another hospital’s ambulance traffic for 24 hours, Smith said “it’s not even possible” to do so every day for months. Such a closure — especially if it came without months of notice — would require regional and statewide planning done to a degree it has not yet entertained.

“We are stretched to the max,” Smith said. “There are no other tricks up our sleeve.”

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